

Message Text

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ORIGIN ARA-14

INFO OCT-01 EUR-12 ISO-00 SAB-02 IO-13 CIAE-00 DODE-00

PM-05 H-01 INR-07 L-03 NSAE-00 NSC-05 PA-01

PRS-01 SP-02 SS-15 USIA-06 AID-05 OMB-01 TRSE-00

IGA-02 /096 R

DRAFTED BY ARA/PAN:JPBECKER:ZC

APPROVED BY ARA:AMB. STEDMAN

EUR:WE:JLIMPRECHT

S/AB:EBUNKER

ARA/PAN/RWYROUGH

-----015350 300847Z /23

P 300020Z JUL 77

FM SECSTATE WASHDC

TO AMEMBASSY MADRID PRIORITY

INFO AMEMBASSY PANAMA PRIORITY

C O N F I D E N T I A L STATE 178803

E.O. 11652:GDS

TAGS:PBOR, PN, SN

SUBJECT:PANAMA CANAL NEGOTIATIONS

1. IN PREPARING FOR KING'S LATIN AMERICAN TRIP, SPANISH OFFICIALS PRESUMABLY WILL WANT TO BE FULLY INFORMED ABOUT THE STATUS OF THE NEGOTIATIONS FOR A NEW PANAMA CANAL TREATY. FOLLOWING BRIEFING INFORMATION IS PROVIDED FOR EMBASSY'S USE IN PRIVATE DISCUSSIONS WITH THOSE PREPARING FOR THE TRIP. SINCE THE NEGOTIATIONS WILL BE CONTINUING INTO THE MONTH OF AUGUST, THE DEPARTMENT WILL ENDEAVOR TO PROVIDE AN UPDATE OF THIS INFORMATION IN EARLY SEPTEMBER.

2. PRESIDENT CARTER HAS MADE THE EARLY CONCLUSION OF AN ACCEPTABLE CANAL TREATY A PRIORITY FOREIGN POLICY OBJECTIVE.
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TIVE.

HE HAS EMPHASIZED THAT ANY NEW TREATY MUST PROTECT THE CONTINUING UNITED STATES SECURITY AND COMMERCIAL INTEREST IN A CANAL WHICH IS OPEN TO ALL NATIONS ON A NON-DISCRIMINATORY BASIS AND AT REASONABLE TOLLS. A STATEMENT OF PRINCIPLES, SIGNED BY SECRETARY KISSINGER AND PANAMANIAN FOREIGN MINISTER TACK FEBRUARY 7, 1974 AND

REAFFIRMED BY BOTH PARTIES JANUARY 31, 1977, ESTABLISHED THE OBJECTIVES OF THE NEGOTIATIONS.

3. FORMAL TREATY DRAFTING WILL COMMENCE WHEN ALL OUTSTANDING ISSUES HAVE BEEN RESOLVED IN PRINCIPLE. UNDER TENTATIVE ARRANGEMENTS CONCLUDED THUS FAR, A NEW TREATY WOULD INCLUDE THE FOLLOWING MAJOR PROVISIONS:

-- THE UNITED STATES WOULD BE RESPONSIBLE FOR THE OPERATION AND DEFENSE OF THE CANAL UNTIL THE YEAR 2000, WHEN PANAMA WOULD ASSUME THIS RESPONSIBILITY. MUCH OF THE CURRENT SYSTEM OF US MILITARY BASES WOULD BE CONTINUED FOR THE LIFE OF THE TREATY.

-- PANAMA WOULD HAVE A MINORITY VOICE IN THE CANAL'S DIRECTION, BUT DURING THE TREATY PERIOD PANAMANIAN EMPLOYEES WOULD BE TRAINED TO ASSUME INCREASING RESPONSIBILITY FOR CANAL OPERATIONS.

-- JURISDICTION IN THE CANAL ZONE WOULD PASS OVER A 3 YEAR PERIOD TO PANAMA. PANAMA WOULD GAIN THE USE OF MUCH OF THE PRESENT CANAL ZONE, WHICH TOGETHER WITH THE CANAL ZONE GOVERNMENT WOULD CEASE TO EXIST UPON THE TREATY'S ENTRY INTO FORCE. THE EXACT LANDS AND WATERS WHICH WILL REVERT TO PANAMA IS AN UNRESOLVED ISSUE.

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-- IN A SEPARATE TREATY, PANAMA WOULD DECLARE THE CANAL'S PERMANENT NEUTRALITY. BOTH THE UNITED STATES AND PANAMA WOULD UNDERTAKE TO MAINTAIN AN AGREED REGIME OF NEUTRALITY TO ASSURE THAT THE CANAL REMAINS PERMANENTLY OPEN TO SHIPPING OF ALL COUNTRIES ON A NON-DISCRIMINATORY BASIS.

-- PANAMA WOULD RECEIVE CONSIDERABLY MORE IN BENEFITS THAN THE 2,3 MILLION DOLLARS WHICH THE UNITED STATES NOW PAYS ANNUALLY. THE LEVEL AND FORM OF THESE ECONOMIC BENEFITS IS THE MAJOR OUTSTANDING ISSUE IN THE NEGOTIATIONS AT THIS JUNCTURE.

4. INTENSIVE NEGOTIATIONS HAVE BEEN CONDUCTED WITH PANAMA IN WASHINGTON SINCE MAY 9. THE NEGOTIATIONS ARE NOW IN A BRIEF RECESS TO ALLOW THE NEGOTIATORS FROM BOTH SIDES TO CONSULT WITH THEIR RESPECTIVE GOVERNMENTS.

5. THE ECONOMIC ARRANGEMENTS FOR THE TREATY HAVE BEEN THE MAJOR SUBJECT OF DISCUSSION IN RECENT WEEKS. PANAMA ORIGINALLY DEMANDED A LUMP SUM PAYMENT OF 1.2 BILLION DOLLARS AND AN ANNUITY OF 300 MILLION DOLLARS. IT HAS SUBSEQUENTLY REDUCED ITS DEMAND TO (A) 450 MILLION DOLLARS

AND A 150 MILLION DOLLARS ANNUITY. WE ARE NOW STUDYING THE POSSIBLE COMPONENTS OF AN ECONOMIC OFFER WHICH COULD BE MADE TO PANAMA.

6. WE BELIEVE THAT THE OFFERS WHICH WE HAVE MADE TO PANAMA SO FAR ARE REASONABLE, AND THAT THE ECONOMIC ARRANGEMENTS WHICH WE WILL EVENTUALLY TABLE WILL BE ATTRACTIVE. SIMILARLY, ON THE LANDS AND WATERS ISSUE, WE HAVE MADE PANAMA A GENEROUS OFFER WELL BEYOND OUR INITIAL POSITION. IT PROVIDES PANAMA WITH THE USE OF MUCH OF THE PRESENT CANAL ZONE AND WILL ASSURE THE AVAILABILITY OF AREAS CRUCIAL TO THE DEVELOPMENT OF PANAMA'S URBAN CENTERS (PANAMA CITY AND COLON).
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7. PANAMA HAS APPEALED IN A NUMBER OF DIFFERENT INTERNATIONAL FORA FOR SUPPORT FOR ITS POSITION IN THE NEGOTIATIONS. HIGH LEVEL VISITORS ARE FREQUENTLY ASKED TO INCLUDE IN JOINT COMMUNIQUE LANGUAGE ON THE NEGOTIATIONS WHICH TENDS TO BE ONE-SIDED. WE WOULD HOPE THAT KING'S PARTY COULD KEEP THIS IN MIND AND AVOID UNBALANCED STATEMENTS SUPPORTIVE OF PANAMA AND SHARPLY CRITICAL OF THE UNITED STATES. A USEFUL COMPROMISE WHICH MANY FOREIGN DIGNITARIES HAVE EMPLOYED IS TO EXPRESS THE HOPE THAT THESE NEGOTIATIONS WILL RESULT IN AN EARLY TREATY WHICH WILL MEET PANAMA'S ASPIRATIONS AND WILL ASSURE THAT THE CANAL REMAINS AN EFFICIENT, SAFE AND SECURE WATERWAY OPEN TO WORLD SHIPPING ON A NON-DISCRIMINATORY BASIS AND AT REASONABLE TOLLS.

8. DEPARTMENT WOULD APPRECIATE RECEIVING EMBASSY REPORT ON SPANISH REACTION TO BRIEFING ON NEGOTIATIONS, AND LIKELY SPANISH POSITION DURING VISIT. VANCE

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: CANALS, NEGOTIATIONS, BRIEFING MATERIALS
Control Number: n/a
Copy: SINGLE
Sent Date: 30-Jul-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977STATE178803
Document Source: CORE
Document Unique ID: 00
Drafter: JPBECKER:ZC
Enclosure: n/a
Executive Order: GS
Errors: N/A
Expiration:
Film Number: D770273-1231
Format: TEL
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t1977072/aaaaaawh.tel
Line Count: 155
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: cff20d64-c288-dd11-92da-001cc4696bcc
Office: ORIGIN ARA
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 14-Mar-2005 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 1749770
Secure: OPEN
Status: NATIVE
Subject: PANAMA CANAL NEGOTIATIONS
TAGS: PBOR, PN, SN
To: MADRID
Type: TE
vdkgvwkey: odhc://SAS/SAS.dbo.SAS_Docs/cff20d64-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009